

Exhibit 37

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.

<https://www.wsj.com/articles/SB10001424127887323836504578551474072138676>

EARNINGS

Chinese Industrial Subsidies Grow 23%

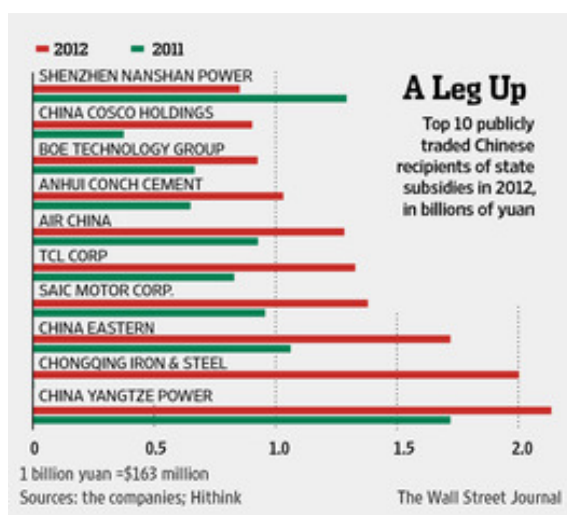
By Dinny McMahon

June 23, 2013 7:49 p.m. ET

BEIJING—Chinese companies are under growing financial pressure as the country's economic growth slows. So industries ranging from airlines to steel to consumer appliances increasingly are leaning on the Chinese government.

Companies listed on China's stock exchanges received 85.68 billion yuan (\$13.83 billion) in government subsidies last year, up 23% from a year earlier, while corporate profits rose less than 1%, according to a Chinese data provider. The subsidies were equivalent to more than 4% of the companies' total profits last year, up from around 3% between 2009 and 2011.

The subsidies—largely from local authorities but also from the national government—took the form of cheap land, tax rebates, support for loan repayments and straight-up cash. There were a range of reasons, including research and development and support for government environment priorities.



China Yangtze Power Co. [600900](#) **1.66%** ▲, the biggest recipient of subsidies last year, received a 2.1 billion yuan boost via a tax rebate on electricity sales.

A company spokesman said the subsidies accounted for about one-tenth of China Yangtze's annual profit.

China's central and provincial governments have long fed its major state-owned and private companies a steady diet of subsidies to boost growth, support jobs and create national

champions.

But the overall health of China's corporate sector—and, in particular, the country's industrial realm—increasingly has relied on subsidies as many industries struggle with overcapacity and weak demand for exports. That is adding to the financial pressures on local governments that

RELATED

- U.K., China Reach Currency Deal
- China Signals More Inaction on Credit

provide much of the cash—many of which already carry heavy debt from funding development projects—and to tension with foreign trading partners.

The European Union's trade chief in recent weeks sought support in the bloc to start investigations into unfair trade practices at China's telecommunication-gear makers, claiming they have received hefty government subsidies. The EU also recently began levying tariffs on the import of Chinese solar components in response to what the bloc said were illegal subsidies.

The U.S. government and companies also have long railed against subsidies to Chinese companies. Washington last September initiated an action at the World Trade Organization against state assistance to Chinese auto makers. U.S. companies have complained about subsidies to Chinese makers of glass and tires.

U.S. steelmakers say China's subsidies have contributed to a global glut, weighing on prices. "The global overcapacity situation is hard for us to deal with," says John Surma, the chief executive of U.S. Steel Corp. "We can't control the world."

Chinese companies will likely remain dependent on Beijing's largess for the near future.

"There doesn't seem to be any end in sight," says Usha Haley, co-author of the book "Subsidies to Chinese Industry" and director of the Robbins Center for Global Business and Strategy at West Virginia University. "What's driving central government and provincial subsidies is that the authorities want companies that can dominate certain industries."

Subsidies have risen sharply in recent years. Aid to listed Chinese companies rose 24% in 2011, when profits rose 13%, and 38% the year before, when profits increased 39%, according to Hithink Flush Information Network Co.

About 90% of the 2,400 companies listed in mainland China received government support last year, according to Hithink's analysis of earnings reports. More than half the companies listed in China are state-owned.

Although much of the government support was concentrated in heavy industry and manufacturing, companies in other sectors also received significant state support.

Appliance maker TCL Corp. [000100 6.04% ▲](#) last year received more than two billion yuan in subsidies, well in excess of the company's net. That included aid for energy conservation, a tax rebate on software products, funds for research and development, subsidies for disassembling

discarded appliances and cash for the development of next generation liquid-crystal-display screens.

China Eastern Airlines Corp CEA -0.90% ▼ received more than 1.7 billion yuan of support, equivalent to roughly half its profit. Its earnings dropped about 30% last year from a year earlier. The carrier said it received subsidies from cities and towns that otherwise would be uneconomical to service and that China Eastern didn't rely on subsidies to turn a profit.

"For many heavy industries and processing companies, there are real profitability pressures," says Thomas Luedi, a senior partner at McKinsey & Co. in China. "You see subsidies and debt support at a local level, just to make sure the companies get through this tough situation."

Listed companies also have turned to their state-owned parents as a way to unload struggling assets and reduce debt.

China Cosco Holdings Ltd. 1919 1.60% ▲ last month announced plans for a unit to sell \$1.22 billion in assets to state-controlled parent, China Ocean Shipping (Group) Co. The deal was company's second this year to sell assets back to its parent as Cosco struggled to turn around two years of losses. China delists companies after reporting three consecutive years of losses.

At least eight companies, including Angang Steel Co. 000898 -0.17% ▼ and Baoshan Iron & Steel Co. 600019 -0.13% ▼, have sold assets to their parents over the past year, improving their balance sheets. The parents of listed companies seldom disclose details about their finances and can hide underperforming assets from the public eye. State-owned parents also receive significant subsidies and financial support from the central government.

Baoshan Iron said it sold the assets for strategic reasons, and that an independent third party was brought in to ensure that the properties were sold as a fair price.

—John W. Miller, Olivia Geng and Lilian Lin contributed to this article.

Write to Dinny McMahon at dinny.mcmahon@wsj.com

Copyright © 2019 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.